

CHICAGO - This morning, Congressman Mike Quigley (D-IL) announced new benefits taking effect today that will make student loans more affordable to repay by allowing borrowers to cap their monthly loan payments based on how much income they earn. Certain eligible low- and moderate-income students taking out new federal student loans will also see lower interest rates on subsidized (need-based) loans and an increase in Pell Grant scholarships.

“Around kitchen tables every day, families are making tough economic choices that weren’t in their original plans. We are living in difficult times, and I cringe to think that a hard-working student with a promising future could choose not to attend college out of financial fear,” said Cong. Quigley. “If students can’t afford college, then we can’t afford not to help them.”

Starting today, for the first time, borrowers will be able to participate in a new Income-Based Repayment (IBR) program that caps their monthly loan payments at just 15 percent of their discretionary income (defined as 15 percent of what a borrower earns above 150 percent of the poverty level for their family size). The program also allows borrowers to devote the first part of their paycheck to covering core costs like housing, food, and transportation.

Any current or future borrower whose loan payments exceed 15 percent of their discretionary income will be eligible. After 25 years of lower payments, borrowers’ remaining loan balances, including interest, will be completely forgiven.

“In our increasingly global job market, access to an affordable, quality education is critical,” added Cong. Quigley. “I encourage everyone to check their eligibility and take advantage of this great opportunity.”

The chart below (from the Dept. of Education) illustrates the IBR benefits.

IBR Monthly Payment Amount
Annual Income Family Size

Cong. Quigley Announces New Program to Make College More Affordable

Wednesday, 01 July 2009 19:00

3

4

5

6

7

\$10,000

\$0

\$0

\$0

\$0

\$0

\$0

Cong. Quigley Announces New Program to Make College More Affordable

Wednesday, 01 July 2009 19:00

\$0

\$15,000

\$0

\$0

\$0

\$0

\$0

\$0

\$0

\$20,000

\$47

Cong. Quigley Announces New Program to Make College More Affordable

Wednesday, 01 July 2009 19:00

\$0

\$0

\$0

\$0

\$0

\$0

\$25,000

\$109

\$39

\$0

\$0

Cong. Quigley Announces New Program to Make College More Affordable

Wednesday, 01 July 2009 19:00

\$0

\$0

\$0

\$30,000

\$172

\$102

\$32

\$0

\$0

\$0

\$0

Cong. Quigley Announces New Program to Make College More Affordable

Wednesday, 01 July 2009 19:00

\$35,000

\$234

\$164

\$94

\$24

\$0

\$0

\$0

\$40,000

\$297

\$227

\$157

Cong. Quigley Announces New Program to Make College More Affordable

Wednesday, 01 July 2009 19:00

\$87

\$16

\$0

\$0

\$45,000

\$359

\$289

\$219

\$149

\$79

\$9

Cong. Quigley Announces New Program to Make College More Affordable

Wednesday, 01 July 2009 19:00

\$0

\$50,000

\$422

\$352

\$282

\$212

\$141

\$71

\$1

\$55,000

\$484

Cong. Quigley Announces New Program to Make College More Affordable

Wednesday, 01 July 2009 19:00

\$414

\$344

\$274

\$204

\$134

\$64

\$60,000

\$547

\$477

\$407

\$337

\$266

Cong. Quigley Announces New Program to Make College More Affordable

Wednesday, 01 July 2009 19:00

\$196

\$126

\$65,000

\$609

\$539

\$469

\$399

\$329

\$259

\$189

\$70,000

\$672

\$602

\$532

\$462

\$391

\$321

\$251

Other benefits that go into effect today include:

- Cheaper interest rates on need-based (subsidized) federal student loans. On July 1, interest rates on these loans will continue to drop, from 6 percent to 5.6 percent. This is the second of four annual cuts in this interest rate; it will continue to drop until it reaches 3.4 percent in 2011. Nationwide, about 5.5 million students take out subsidized student loans each year.
- Higher Pell Grant scholarships for low- and moderate-income students. Due to funding boosts provided by both the College Cost Reduction and Access Act and the American Recovery and Reinvestment Act, the maximum Pell Grant scholarship for the 2009-2010 school year will be \$5,350 – more than \$600 above last year's award. About 6 million students receive this scholarship each year.

In addition, Americans will continue to be able to enter into a new public service loan forgiveness created under the law. College graduates – or workers of any age – who enter

public service professions will have their federal college loans completely forgiven after ten consecutive years of service and loan repayments. Eligible public servants include firefighters, public defenders and prosecutors, first responders, law enforcement officers, early childhood educators and men and women serving in the military, and more. This program can be used in conjunction with Income-Based Repayment.

The benefits are all taking effect as part of the College Cost Reduction and Access Act. The 2007 legislation invested \$20 billion in federal college aid for families, at no additional cost to taxpayers – the single largest investment to help Americans pay for college since the GI Bill. In addition to creating IBR, the law also halved interest rates on need-based federal student loans in equal steps over four years – making these loans more affordable for millions of low- and middle-income students.

Recent data shows that Americans' interest in public service is surging. This year's applications for programs like Teach for America and AmeriCorps have skyrocketed by 42 percent and 200 percent, respectively.

For more information on these benefits, please visit the House Committee on Education and Labor by [clicking here](#) . For more specific information on how the new Income-Based Repayment program will work and who will qualify, [click here.](#)